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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, FEBRUARY 12, 1998

APPLICATION OF

WASHINGTON GAS LIGHT
COMPANY

CASE NO. PUE971024

For approval of a Pilot
Delivery Service Program

and

APPLICATION OF

WASHINGTON GAS LIGHT COMPANY
and
WASHINGTON GAS ENERGY SERVICES, INC.

CASE NO. PUA980005

For authority to engage in
certain affiliate transactions

ORDER FOR NOTICE AND HEARING

On December 22, 1997, Washington Gas Light Company ("Washington Gas" or "Company") filed an application requesting approval of an experimental firm delivery service program (hereinafter referenced as "the Program" or "Application No. I"). The Company proposes to offer firm delivery service on a limited-term, pilot basis, under Rate Schedule Nos. 1A, 2A, and 3A to residential, commercial and industrial, and group metered apartment customers who would otherwise purchase gas from the Company on a firm basis under Rate Schedule Nos. 1, 2, and 3,

respectively. Washington Gas proposes to commence the proposed pilot program on or before June 1, 1998.

The proposed pilot program is a two-year program. In the first year of the Program, up to ten percent (10%) of the customers eligible for the service under Rate Schedule Nos. 1A, 2A, and 3A would be permitted to participate in the pilot program. The level of participants would be increased to twenty percent (20%) during the second year of the Program. In the first year of the Program, gas suppliers must select annual balancing, while in the second year of the Program, monthly balancing will be offered as an option. Enrollment in the pilot program will be on a rolling basis where annual balancing is selected. Rolling enrollment will allow the Program to be extended for up to three years.

Customers who participate in the Program would purchase their gas commodity requirements from third party gas suppliers who elect to participate in the pilot program, while obtaining firm delivery from Washington Gas.¹ Gas suppliers would be pre-approved by the Company based on meeting creditworthiness standards and would qualify to participate by aggregating at least 100 Dekatherms of Average Daily Contract Quantity of sales to customers participating in the pilot program.

Washington Gas will use its proposed pilot program to gather information regarding customer awareness of the Program, customer

education efforts and customer satisfaction. The Company will also use the proposed pilot program to obtain information to measure the performance of marketers participating in the pilot program, including market share, customer retention and satisfaction, reliability and complaint resolution.

As part of the experimental program, Washington Gas requests authority to collect any resulting stranded pipeline costs currently from all firm customers through a Gas Supply Realignment Charge.

On February 6, 1998, Washington Gas and its affiliate Washington Gas Energy Services, Inc. ("WGES") filed a joint application, pursuant to §§ 56-76 et seq., requesting authority for Washington Gas and WGES to engage in certain affiliate transactions ("Application No. II"). Such transactions include WGES' participation in the Program under terms and conditions specified in Schedule 9 of the Company's tariff and also include Washington Gas' provision of billing services to WGES and all other suppliers under the terms detailed in the Billing Agreement attached to that joint application.

NOW THE COMMISSION, having considered the above referenced applications, finds that such applications should be docketed separately. We are also of the opinion that Washington Gas should provide notice to the public of its applications; that members of the Commission Staff should conduct an investigation

¹ Gas suppliers may acquire Washington Gas' upstream capacity for gas supplies to be delivered to Washington Gas' city gate but such suppliers will not be

into the reasonableness of the proposed program and the proposed affiliate transactions and present their findings in separate Staff reports; and that a public hearing should be convened to receive evidence relevant to Washington Gas' application for approval of the Program.

Section 56-234 of the Code of Virginia ("Code") permits the Commission to approve rate or rate design tests or experiments, or other experiments involving the use of special rates, "after notice and hearing and a finding that such experiments are necessary in order to acquire information which is or may be in furtherance of the public interest." Section § 56-77 of the Code requires that contracts or arrangements between affiliates be approved by the Commission as in the public interest.

The Commission will entertain comments and requests to address the Commission on the issues of whether implementation of the pilot program is "necessary in order to acquire information which is or may be in the public interest," as § 56-234 requires. The Commission will also entertain comments on whether the proposed transactions between Washington Gas and WGES meet the public interest requirements of § 56-77. The Commission will not, at this time, consider evidence on the related issue of whether Washington Gas' proposed Stranded Cost Recovery mechanism, through which Washington Gas seeks to recover costs "stranded" as a result of the Program, is in the public interest.

required to do so.

Instead, if the Commission concludes that the experimental program should be approved, it will permit memorandum accounting for the purpose of tracking the costs of the Program, and receive evidence on those costs and the proposed cost recovery mechanism in a general rate proceeding. If it appears that the public interest will not be served by implementation of the proposed program, there will be no need to take evidence on the stranded cost recovery mechanism, because no costs will then become stranded.

Accordingly, IT IS THEREFORE ORDERED THAT:

(1) Washington Gas' application for approval of a pilot delivery service program shall be docketed as Case No. PUE971024 and Washington Gas and WGES' joint application shall be docketed as Case No. PUA980005.

(2) Pursuant to Rule 7:1 of the Commission's Rules of Practice and Procedure ("Procedural Rules"), a Hearing Examiner is appointed to hear all evidence relevant to Washington Gas' application for approval of the Program, or Application No. I.

(3) A public hearing for the purpose of receiving evidence relevant to Washington Gas' application for approval of the Program (Case No. PUE971024) is scheduled for Monday, May 18, 1998, at 10:00 a.m. in the Commission's second floor courtroom located in the Tyler Building, 1300 East Main Street, Richmond, Virginia.

(4) Within five (5) business days of a written request for a copy of the applications, Washington Gas shall serve upon any person making any such request a copy of the applications and all relevant materials now or hereafter filed with the Commission in support thereof. Requests for copies of the applications shall be served upon the Company through its counsel, Donald R. Hayes, Washington Gas, 1100 H Street, N.W. Washington, D.C. 20080;

(5) On or before March 5, 1998, the Company shall complete, by publishing as display advertising, once in newspapers of general circulation throughout the service territory affected by the proposed applications, the following notice:

NOTICE TO THE PUBLIC OF APPLICATIONS
BY WASHINGTON GAS LIGHT COMPANY
FOR APPROVAL OF A PILOT DELIVERY
SERVICE PROGRAM AND FOR APPROVAL OF CERTAIN
AFFILIATED TRANSACTIONS, CASE NO. PUE971024

On December 22, 1997, Washington Gas Light Company ("Washington Gas" or "the Company") filed an application requesting approval of an experimental delivery service program to be made available, on a limited-term, pilot basis, to the Company's residential, commercial and industrial, and group metered apartment customers requiring gas service on a firm basis. Washington Gas proposes to commence the proposed pilot program (hereinafter referenced as "the Program" or "Application No. I") on or before June 1, 1998. Application No. I is docketed as Case No. PUE971024.

On February 6, 1998, Washington Gas and its affiliate, Washington Gas Energy Services, Inc. ("WGES"), filed a joint application requesting authority for WGES to participate in the above referenced program and for Washington Gas to provide certain services to that affiliate consistent with

that provided to other suppliers participating in the Program ("Application No. II). Application No. II is docketed as Case No. PUA980005.

For more information, please consult the Company's applications. Copies of the applications may be requested in writing from Washington Gas' counsel, Donald R. Hayes, Washington Gas, 1100 H Street, N.W., Washington, D.C. 20080. The applications also may be reviewed from 8:15 a.m. to 5:00 p.m., Monday through Friday, at the State Corporation Commission's Document Control Center, located on the First Floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219.

Any person desiring to comment in writing on Application No. I and/or Application No. II may do so by directing such comments on or before March 27, 1998, to the Clerk of the Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218. Written comments must refer to the appropriate docket number.

The Commission has scheduled a hearing on Application No. I for Monday, May 18, 1998, at 10:00 a.m. in the Commission's second floor courtroom located in the Tyler Building, 1300 East Main Street, Richmond, Virginia.

Any person desiring to make a statement at the public hearing concerning that application need only appear at 9:45 a.m. on the day of the hearing and identify himself or herself as a public witness to the Commission's Bailiff.

Any person who expects to present evidence, cross-examine witnesses, or otherwise participate in the proceeding as a Protestant pursuant to Rule 4:6 of the Commission's Rules of Practice and Procedure should promptly obtain a copy of the Order for Notice and Hearing from the Clerk of the Commission for full details of the procedural schedule and instructions on participation.

Individuals with disabilities who require an accommodation to participate in the hearing may contact the Commission at least seven (7) days before the scheduled hearing date at 1-800-552-7945 (voice) or 1-804-371-9206 (TDD).

All written communications to the Commission concerning Washington Gas' applications should be directed to William J. Bridge, Clerk of the State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218, and should refer to the appropriate docket numbers referenced above.

WASHINGTON GAS LIGHT COMPANY

(6) On or before March 5, 1998, Washington Gas shall serve a copy of this Order on the Chairman of the Board of Supervisors of each affected county and on the mayor or manager of each affected city and county (or equivalent officials), in which the Company provides service. Service on the official shall be made by first class mail to the customary place of business or residence of the person served;

(7) On or before March 16, 1998, the Company shall prefile with the Commission an original and fifteen (15) copies of any direct testimony it intends to present at the public hearing. Copies shall also be served on any person who files a Notice of Protest.

(8) Any person desiring to comment in writing on Applications No. I and/or No. II may do so by directing such comments on or before March 27, 1998, to the Clerk of the

Commission at the address listed above. Written comments must refer to the appropriate case number(s) referenced herein.

(9) Any person who expects to submit evidence, cross-examine witnesses, or otherwise participate in the proceedings as a Protestant, pursuant to Rule 4:6, shall file on or before April 14, 1998, an original and fifteen (15) copies of its Protest with the Clerk of the Commission at the address listed above, referring to Case No. PUE971024, and shall on the same day mail a copy thereof to Washington Gas' counsel at the address listed above, and to any other Protestants. The Protest shall set forth (i) a precise statement of the interest of the Protestant in the proceeding; (ii) a full and clear statement of the facts which the Protestant is prepared to prove by competent evidence; and (iii) a statement of the specific relief sought and the legal basis therefor. Any corporate entity that wishes to submit evidence, cross-examine witnesses, or otherwise participate as a Protestant must be represented by legal counsel in accordance with the requirement of Rule 4:8 of the Commission's Rules.

(10) On or before April 14, 1998, each Protestant shall file with the Clerk of the Commission an original and fifteen (15) copies of the prepared testimony and exhibits the Protestant intends to present at the hearing, and shall on the same day, mail a copy of the same to counsel for Washington Gas and other

Protestants. Service upon counsel for Washington Gas shall be made at the address set forth above.

(11) The Commission Staff shall analyze the reasonableness of Washington Gas' applications and present its findings on Applications No. I and No. II in separate Staff Reports to be filed on or before April 28, 1998.

(12) On or before May 8, 1998, the Company shall file with the Clerk of the Commission an original and fifteen (15) copies of any rebuttal testimony on the Report of Staff or on the direct prefiled testimony of Protestants. A copy of the rebuttal testimony shall be mailed to Staff and each Protestant by overnight delivery.

(13) At the commencement of the hearing scheduled herein, Washington Gas shall provide to the Commission proof of the notice and service required by ordering paragraphs (5) and (6) herein.

(14) The Company shall respond to written interrogatories or data requests within ten (10) business days after the receipt of the same. Protestants shall provide to the Company, other Protestants and Staff any workpapers or documents used in preparation of their prefiled testimony, promptly upon request. Except as so modified, discovery shall be in accordance with Part VI of the Rules.